

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **MARION TOWNSHIP**

Saginaw County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2006

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**BERTHIAUME  
& COMPANY**

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

## **INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Marion Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marion Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Township, as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

*Berthiaume & Co.*

September 6, 2006

## ***BASIC FINANCIAL STATEMENTS***

# MARION TOWNSHIP

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## STATEMENT OF NET ASSETS

March 31, 2006

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 483,838
Taxes receivable	18,621
Due from other governmental units	12,855
Prepaid expenses	2,891
Capital assets:	
Depreciable capital assets, net	<u>494,065</u>
 Total assets	 <u>1,012,270</u>
<b>Liabilities:</b>	
Accounts payable	10,281
Accrued expenses	5,886
Long-term liabilities:	
Due within one year	8,267
Due in more than one year	<u>121,733</u>
 Total liabilities	 <u>146,167</u>
<b>Net assets:</b>	
Invested in capital assets	364,065
Restricted for:	
Fire	40,734
Unrestricted	<u>461,304</u>
 Total net assets	 <u>\$ 866,103</u>

*The accompanying notes are an integral part of these financial statements.*

# MARION TOWNSHIP

## STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
<i>Governmental activities:</i>					
General government	\$ 73,845	\$ 7,942	\$ 3,280	\$ -	\$ (62,623)
Public safety	42,470	4,401	15,344	167,400	144,675
Public works	84,567	34,726	7,056	-	(42,785)
Health and welfare	548	-	-	-	(548)
Community and economic development	296	-	-	-	(296)
Recreation and culture	5,637	1,316	-	-	(4,321)
Interest on long-term debt	5,886	-	-	-	(5,886)
Total governmental activities	<u>\$ 213,249</u>	<u>\$ 48,385</u>	<u>\$ 25,680</u>	<u>\$ 167,400</u>	<u>28,216</u>
<i>General revenues:</i>					
Taxes:					
Property taxes, levied for general purpose					61,406
Property taxes, levied for fire protection					31,356
Payment in lieu of property taxes					725
Grants and contributions not restricted to specific programs					76,127
Unrestricted investment earnings					5,151
Gain on sale of capital asset					624
Total general revenues					<u>175,389</u>
Change in net assets					203,605
Net assets, beginning of year, as restated					<u>662,498</u>
Net assets, end of year					<u>\$ 866,103</u>

The accompanying notes are an integral part of these financial statements.

# MARION TOWNSHIP

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## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2006

	<b>Governmental Funds</b>		<b>Total</b>
	<b>General Fund</b>	<b>Fire Fund</b>	<b>Governmental Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 445,874	\$ 37,964	\$ 483,838
Taxes receivable	14,256	4,365	18,621
Due from other governmental units	12,855	-	12,855
Prepaid expenses	<u>2,891</u>	<u>-</u>	<u>2,891</u>
 Total assets	<u><u>\$ 475,876</u></u>	<u><u>\$ 42,329</u></u>	<u><u>\$ 518,205</u></u>
 <b>Liabilities and Fund Balance:</b>			
<i>Liabilities:</i>			
Accounts payable	<u>\$ 8,686</u>	<u>\$ 1,595</u>	<u>\$ 10,281</u>
 Total liabilities	<u>8,686</u>	<u>1,595</u>	<u>10,281</u>
 <i>Fund balances:</i>			
Reserved for:			
Prepaid expenses	2,891	-	2,891
Unreserved:			
General fund	464,299	-	464,299
Fire fund	<u>-</u>	<u>40,734</u>	<u>40,734</u>
 Total fund balance	<u>467,190</u>	<u>40,734</u>	<u>507,924</u>
 Total liabilities and fund balance	<u><u>\$ 475,876</u></u>	<u><u>\$ 42,329</u></u>	<u><u>\$ 518,205</u></u>

*The accompanying notes are an integral part of these financial statements.*



# MARION TOWNSHIP

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2006

**Total fund balances for governmental funds** \$ 507,924

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	1,014,691	
Less accumulated depreciation	<u>(520,626)</u>	494,065

Interest payable in the governmental activities are not payable from  
current resources and therefore are not reported in the governmental  
funds. (5,886)

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds.

Capital lease payable	<u>(130,000)</u>
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**Net assets of governmental activities** \$ 866,103

*The accompanying notes are an integral part of these financial statements.*

# MARION TOWNSHIP

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	Major Governmental Funds		Total Governmental Funds
	General Fund	Fire Fund	
<b>Revenues:</b>			
Property taxes	\$ 67,771	\$ 31,356	\$ 99,127
Licenses and permits	2,630	-	2,630
Federal grants	-	167,400	167,400
State grants	84,728	1,500	86,228
Contributions from other units	-	13,884	13,884
Charges for services	36,462	798	37,260
Interest and rents	5,553	265	5,818
Other revenue	2,950	1,557	4,507
Total revenues	200,094	216,760	416,854
<b>Expenditures:</b>			
Current:			
General government	44,828	-	44,828
Public safety	6,514	29,106	35,620
Public works	84,567	-	84,567
Health and welfare	548	-	548
Community and economic development	296	-	296
Recreation and culture	5,220	-	5,220
Other	12,988	-	12,988
Capital outlay	24,894	313,910	338,804
Total expenditures	179,855	343,016	522,871
Excess (deficiency) of revenues over expenditures	20,239	(126,256)	(106,017)
<b>Other Financing Sources (Uses):</b>			
Proceeds from capital lease	-	130,000	130,000
Net change in fund balance	20,239	3,744	23,984
Fund balance, beginning of year, as restated	446,951	36,990	483,941
Fund balance, end of year	\$ 467,190	\$ 40,734	\$ 507,924

*The accompanying notes are an integral part of these financial statements.*

# MARION TOWNSHIP

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2006

**Net change in fund balances - total governmental funds** \$ 23,983

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	333,928	
Less depreciation expense	<u>(18,420)</u>	315,508

Proceeds from the issuance of long-term debt is a revenue in the governmental funds, but are recorded as long-term liabilities in the statement of net assets (130,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on bonds payable	<u>(5,886)</u>
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**Change in net assets of governmental activities** \$ 203,605

*The accompanying notes are an integral part of these financial statements.*

# MARION TOWNSHIP

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## *FIDUCIARY FUNDS – AGENCY FUND*

### **STATEMENT OF NET ASSETS**

March 31, 2006

**Assets:**

Cash and cash equivalents	\$ 159
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159

**Liabilities:**

Undistributed taxes	<u>159</u>
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Total liabilities	<u>159</u>
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**Net Assets:**

Unrestricted	<u>-</u>
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Total net assets	<u><u>\$ -</u></u>
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*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

# MARION TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of Marion Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and its component units, if any. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Township's reporting entity.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the governmental activities.

# MARION TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, (2) restricted net assets, if any, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

# MARION TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

The Township reports the following major governmental funds:

**General Fund** – The General Fund is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

**Fire Fund** – The Fire Fund is used to account for the fire tax revenue and related expenditures.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

**Inventories and Prepaid Items** – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Equipment	5-40 years

**Compensated Absences** – Employees are not allowed to accumulate earned but unused vacation and sick days. Therefore, no liability is recorded in the government-wide financial statements.

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the governmental activities statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



# MARION TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### **Property Taxes:**

Properties are assessed as of December 31. The related property taxes become a lien on December 1 of the following year. These taxes are due February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The 2005 taxable valuation of the Township totaled \$14,999,028, on which ad valorem taxes levied consisted of .9375 mills for the Township's operating purposes and 2.00 mills for a special voted fire millage and 2.885 mills for roads and bridges.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

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## **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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### **Budgetary Information:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

# MARION TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Fire Fund:</b>			
Public Safety	\$ 27,000	\$ 29,106	\$ 2,106
Capital Outlay	281,000	313,910	32,910

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$581,253 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$306,206 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Township had no investments.

# MARION TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

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### NOTE 4: CAPITAL ASSETS

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Governmental activities capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Depreciable capital assets:				
Buildings and improvements	\$ 77,283	\$ -	\$ -	\$ 77,283
Land improvements	-	5,919	-	5,919
Equipment and vehicles	<u>603,480</u>	<u>328,009</u>	<u>-</u>	<u>931,489</u>
Total depreciable capital assets	<u>680,763</u>	<u>333,928</u>	<u>-</u>	<u>1,014,691</u>
Accumulated depreciation	<u>(502,206)</u>	<u>(18,420)</u>	<u>-</u>	<u>(520,626)</u>
Depreciable capital assets, net	<u>178,557</u>	<u>315,508</u>	<u>-</u>	<u>494,065</u>
Governmental activities, capital assets, net	<u>\$ 178,557</u>	<u>\$ 315,508</u>	<u>\$ -</u>	<u>\$ 494,065</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 1,854
Public safety	16,149
Recreation and culture	<u>417</u>
Total governmental activities	<u>\$ 18,420</u>

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### NOTE 5: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At year end, the Township had no deferred revenue.

# MARION TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### NOTE 6: LONG-TERM LIABILITIES

The Township may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at March 31, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b>Governmental Activities</b>					
<b>Capital lease payable:</b>					
2005 Issue - Fire Pumper Truck	4/20/06-4/20/17	4.79%	\$8,267-\$13,832	\$ 130,000	\$ 130,000

The following is a summary of long-term liabilities transactions for the year ended March 31, 2006:

	<u>April 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2006</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<b>Capital lease payable:</b>					
2005 Issue - Fire Pumper Truck	-	130,000	-	130,000	20,000
	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 20,000</u>

Annual debt service requirements to maturity for the above bonds and loans are as follows:

2007	\$ 8,267	\$ 6,227	\$ 14,494
2008	8,663	5,831	14,494
2009	9,078	5,416	14,494
2010	9,513	4,981	14,494
2011	9,969	4,525	14,494
2012-2016	57,479	14,991	72,470
2017-2018	27,031	1,957	28,988
	<u>\$ 130,000</u>	<u>\$ 43,928</u>	<u>\$ 173,928</u>

# MARION TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

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### NOTE 7: RISK MANAGEMENT

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The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 8: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### Post Employment Benefits:

The Township provides no post employment benefits.

#### Deferred Compensation Plan:

The Township provides no deferred compensation plan.

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### NOTE 10: PRIOR PERIOD ADJUSTMENT

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#### Correction of an error:

In the a prior year the property tax revenue was understated. The effect of this correction is a increase in the General Fund fund balance of \$21,828.

The effect of this adjustment on the General Fund fund balance and Governmental funds net assets are as follows:

	General Fund	Governmental Funds
Fund balance, as previously stated, as of 3/31/05	\$ 425,123	\$ 640,670
Add: Property tax revenue that should have accrued to a prior year	<u>21,828</u>	<u>21,828</u>
Fund balance, restated, as of 3/31/05	<u>\$ 446,951</u>	<u>\$ 662,498</u>

***REQUIRED SUPPLEMENTAL INFORMATION***

# MARION TOWNSHIP

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## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<b>Budgeted Amounts</b>			<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 88,952	\$ 88,952	\$ 67,771	\$ (21,181)
Licenses and permits	7,520	7,520	2,630	(4,890)
State grants	75,000	75,000	84,728	9,728
Charges for services	29,100	29,100	36,462	7,362
Interest and rents	4,100	4,100	5,553	1,453
Other revenue	500	500	2,950	2,450
Total revenues	205,172	205,172	200,094	(5,078)
<b>Expenditures:</b>				
Current:				
General government	51,700	51,700	44,828	(6,872)
Public safety	10,500	10,500	6,514	(3,986)
Public works	77,460	85,460	84,567	(893)
Health and welfare	1,100	1,100	548	(452)
Community and economic development	750	750	296	(454)
Recreation and culture	4,500	4,500	5,220	720
Other	13,000	13,000	12,988	(12)
Capital outlay	39,726	31,726	24,894	(6,832)
Total expenditures	198,636	198,636	179,855	(18,781)
Excess (deficiency) of revenues over expenditures	6,536	6,536	20,239	13,703
Fund balance, beginning of year, as restated	446,951	446,951	446,951	-
Fund balance, end of year	\$ 453,487	\$ 453,487	\$ 467,190	\$ 13,703

# MARION TOWNSHIP

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## *FIRE FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2006

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Property taxes	\$ 30,000	\$ 30,000	\$ 31,356	\$ 1,356
Federal grants	1,080	158,800	167,400	8,600
State grants	-	-	1,500	1,500
Contributions from other units	13,000	13,000	13,884	884
Charges for services	-	-	798	798
Interest and rents	-	-	265	265
Other revenue	-	-	1,557	1,557
Total revenues	<u>53,800</u>	<u>201,800</u>	<u>216,760</u>	<u>14,960</u>
<b>Expenditures:</b>				
Current:				
Public safety	27,000	27,000	29,106	2,106
Capital outlay	<u>3,000</u>	<u>281,000</u>	<u>313,910</u>	<u>32,910</u>
Total expenditures	<u>30,000</u>	<u>308,000</u>	<u>343,016</u>	<u>35,016</u>
Excess (deficiency) of revenues over expenditures	23,800	(106,200)	(126,256)	(20,056)
<b>Other Financing Sources (Uses):</b>				
Proceeds from capital lease	<u>-</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
Net increase (decrease) in fund balance	23,800	23,800	3,744	(20,056)
Fund balance, beginning of year	<u>36,990</u>	<u>36,990</u>	<u>36,990</u>	<u>-</u>
Fund balance, end of year	<u>\$ 60,790</u>	<u>\$ 60,790</u>	<u>\$ 40,734</u>	<u>\$ (20,056)</u>



***OTHER SUPPLEMENTAL INFORMATION***

# MARION TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

***Current Taxes:***

Property taxes	\$ 61,406
Administration fees	5,640
Swamp tax	<u>725</u>
	<u>67,771</u>

***Licenses and permits:***

Nonbusiness licenses and permits	<u>2,630</u>
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***State Grants:***

Summer tax collection reimbursement	1,545
State revenue sharing - sales tax	76,127
Metro act funds	<u>7,056</u>
	<u>84,728</u>

***Charges for services:***

Refuse collection fees	34,726
Recreation fees	1,316
Cemetery fees	<u>420</u>
	<u>36,462</u>

***Interest and rents:***

Interest	4,886
Rents	<u>667</u>
	<u>5,553</u>

***Other Revenue:***

Contributions and donations	1,735
Reimbursements	300
Other	<u>915</u>
	<u>2,950</u>

Total revenues	<u><u>\$ 200,094</u></u>
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# MARION TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

**General Government:**

*Board:*

Personnel	\$ 2,473
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*Supervisor:*

Personnel	4,071
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*Clerk:*

Personnel	4,816
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*Accounting:*

Contracted services	8,400
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*Board of Review:*

Personnel	926
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*Treasurer:*

Personnel	4,854
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*Assessor:*

Personnel	2,163
-----------	-------

*Building and Grounds:*

Supplies	3,912
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Contracted services	3,431
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Utilities	2,368
-----------	-------

9,711
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*Attorney:*

Contracted services	536
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*Cemetery:*

Other	1,616
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*Other general government:*

Supplies	2,451
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Contracted services	508
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Mileage	720
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Dues and memberships	503
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Printing and publishing	234
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Other	846
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5,262
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Total general government	44,828
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# MARION TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2006

***Public Safety:***

*Protective Inspections:*

Personnel	4,660
Other	<u>1,854</u>

6,514

Total public safety	<u>6,514</u>
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***Public Works:***

*Public Drains:*

Contracted services	<u>2,972</u>
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*Roads:*

Contracted services	39,687
Other	<u>48</u>

39,735

*Refuse:*

Contracted service	<u>41,860</u>
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Total public works	<u>84,567</u>
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***Health and welfare:***

*Health service:*

Contracted services	<u>548</u>
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Total health and welfare	<u>548</u>
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***Community and Economic Development:***

*Zoning:*

Personnel	<u>296</u>
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Total community and economic development	<u>296</u>
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# MARION TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2006

***Recreation and Culture:***

***Parks and Recreation Department:***

Contracted services	3,829
Other	<u>291</u>

4,220

***Library:***

Contracted services	<u>1,000</u>
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1,000

Total recreation and culture	<u>5,220</u>
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***Other:***

Insurance and bonds	7,184
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Employer's share of retirement and payroll tax	<u>4,774</u>
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12,988

Total other	<u>12,988</u>
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***Capital outlay:***

General government	18,975
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Recreation and culture	<u>5,919</u>
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24,894

Total other	<u>24,894</u>
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\$ 179,855

# MARION TOWNSHIP

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## *FIDUCIARY FUNDS – AGENCY FUND*

### **COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

March 31, 2006

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>Current Tax Collection Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ (7,002)	\$ 531,048	\$ 523,887	\$ 159
Due from other governmental units	<u>16,619</u>	<u>-</u>	<u>16,619</u>	<u>-</u>
Cash and cash equivalents	<u>\$ 9,617</u>	<u>\$ 531,048</u>	<u>\$ 540,506</u>	<u>\$ 159</u>
<b>Liabilities:</b>				
Undistributed property taxes	<u>\$ 9,617</u>	<u>\$ 531,048</u>	<u>\$ 540,506</u>	<u>\$ 159</u>



September 6, 2006

To The Township Board  
Marion Township

We have audited the financial statements of Marion Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of James Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Marion Township are described in Note 1 to the financial statements. We noted no transactions entered into by Marion Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.



We have significant issues, regarding these matters, to report to you at this time, as follow:

#### Difficulties Encountered With Audit

##### *Bookkeeping:*

Month-end bank reconciliations have not been prepared.

The Treasurer's cash balance has not been agreed with the Clerk's balance.

Some deposits were made, by the former Treasurer, for which no receipt was prepared. These deposits were not recorded on the Treasurer's report or in the Clerk's receipt journal.

Some checks were written, by the former Treasurer, that were not recorded on the Treasurer's report or in the Clerk's disbursement journal.

##### *Tax Account:*

Payments out of the 2005 property tax account did not agree with the 2005 property tax collections. We found \$1,364.74 was overpaid to the County on the drain levy. We also found a \$1,451.45 payment to the County for drains at large that should have come out of the General Fund.

##### *Unrecorded Deposits:*

We found a May 18, 2005 General Fund deposit of \$21,827.87 check which appears to explain part of the reported missing money in the prior year audit.

This \$21,827.87 check was written by the State DNR and received by the Township in February 2005. The check, for 2005 property taxes, should have been immediately deposited in the tax account. The deposit was made three (3) months later in the wrong account. There was no receipt prepared.

#### Comments and Recommendations

##### *Bookkeeping:*

We recommend that the format of the Treasurer's monthly financial report be revised to include a reconciliation of the cash book balance with the actual cash balance at the end of each month.

The proper preparation of such a report will insure that all transactions are included and resultant balances are correct.

*Tax Account:*

Transactions in the tax account need to be agreed to the tax levy each year by the Township Treasurer.

Payments of collected taxes to the various other governmental units need to be done, by the Township Treasurer, within 10 business days as required by State law.

The cash balance on the tax account should be reconciled by the Treasurer to zero (or some base amount) by the end of each March year end.

*Other:*

An April 2005, \$1,000 fire fund cash receipt from the Jonesfield Fire Department is missing. We found a copy of the money/receipt in the Clerk's April 2005 records but no deposit was found.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated September 6, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants